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SUBJECT: LESOTHO REVENUE AUTHORITY REQUESTS TECHNICAL ASSISTANCE FROM
THE U. S. DEPARTMENT OF TREASURY

¶1. Summary: On November 17 - 21 a mission headed by William Remington from the Department of Treasury' Office of Technical Assistance (OTA), visited the Lesotho Revenue Authority (LRA) at the request of the LRA's Commissioner General (CG), Dr. Charles Jenkins. The CG had requested technical assistance and support for the LRA in the areas of debt management, audit, and investigations. The OTA mission took stock of LRA operations and reviewed its current capacity. It also met with the business community to assess the relationship between the LRA and the private sector. End Summary.

¶2. The mission met with many sections of the LRA, including the Chief Information Officer, Internal Audit, and Human Resources. However, the main focus was on Revenue Compliance. The mission found that since the LRA's inception 5 years ago, tax compliance has significantly improved and tax evasion has been reduced. While those areas will require sustained efforts for improvement, the OTA mission focused on three areas where their particular expertise can be of immediate help. Those areas are: debt management, tax audit, and human resource management.

¶3. At the completion of their mission, the OTA sent a letter to the CG indicating their willingness to deliver technical assistance in 2009. Their assistance in the above-mentioned focus areas should increase the ability of the LRA to maximize government tax revenue while ensuring an efficient, fair and simple tax administration system. The CG assured the mission that the LRA would welcome a technical assistance team based at the authority early next year.

¶4. During the consultations, the LRA's tax divisions identified capacity-building in regards to tax law and procedures; processes in audit and debt collection; and upgraded database systems for both income tax and VAT as their top priorities. They stressed that tax laws sometimes conflict with the constitution, making it difficult to interpret the law, and leading to inconsistencies in application. In addition, the automated systems used to capture VAT and income tax data are neither adequate nor reliable to address LRA needs for audit and debt collection purposes. The Commissioner of Tax Compliance explained that LRA personnel lack adequate knowledge in interpretation and application of tax law. There is an urgent need to overcome these human and institutional capacity shortfalls.

¶5. The Mission also met with the Lesotho Chamber of Commerce, the Mohloli Association of Business, and the Lesotho Institute of Accountants. These representatives of Lesotho's business community expressed their concern with the LRA's approach. They highlighted several issues, such as problems when their business transactions do not interface with LRA processes, complicating the tax filing system. They also expressed their frustration with different interpretations and applications of tax law which results in inconsistencies. In addition, tax law, especially income tax law, is seen as too simple to accommodate complicated situations such as capital gains. The business representatives said that officials need to provide more tax law and technical training to make the processes more clear and to make it easier to comply with tax policy.

¶6. The OTA mission was impressed with the LRA's energy and commitment to improvement, revealed in frank and open discussions of current status and areas needing improvement. The aim of the OTA's technical assistance partnership with the LRA

is to make processes more efficient and to ease the tax compliance burden. The mission noted the management team's demonstrated readiness and its capability to manage proposed improvements. In early 2009, the OTA will place technical experts with the LRA to work on the proposed areas for improvement while also mentoring its staff. Training in different areas of audit will include development of operations and procedure manuals to be used during the audit process with a goal toward building internal capacity, to ensure sustainability and remove the need to rely on external expertise in the future.

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